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**DPU ISSUES ORDER ‘DECOUPLING’ REVENUES FROM SALES FOR
ALL ELECTRIC AND NATURAL GAS UTILITIES**

BOSTON – The Department of Public Utilities (DPU) today issued an Order that will begin the process of “decoupling” rates from sales volume for all of the state’s electric and natural gas distribution utilities, in order to encourage utilities to help their customers reduce their energy consumption and take advantage of on-site renewable energy, as required by the Green Communities Act, the comprehensive energy reform law recently signed by Governor Deval Patrick.

“In passing the Green Communities Act, Governor Patrick and the Legislature set a bold new vision for the future evolution of our state’s energy systems,” said DPU Chairman Paul Hibbard. “Decoupling utility rates from sales removes the single most important barrier to realizing the vision set forth in the Act.”

Currently, utilities collect more revenue by selling more electricity or gas, and lose revenue when their customers use less. This approach to utility rates gives these companies the wrong incentives at a time of high energy costs, which are driven by the prices of oil and natural gas, and creates an institutional barrier to reducing electricity and natural gas costs for residents and businesses through increased energy efficiency and the use of on-site or local renewable power generation.

The cornerstone of the Green Communities Act is a comprehensive overhaul of efforts on energy conservation and self-sufficiency, with provisions to maximize the use of energy efficiency and renewable energy technologies for residents and businesses alike – actions that will decrease electricity and natural gas sales over time. Decoupled rates will allow utility companies to carry out the mandates of the new energy law and still collect adequate revenue to maintain the quality and reliability of electricity and natural gas distribution.

Going forward, gas and electric utilities will file rate plans that separate, or decouple, their sales of electricity or gas from the revenues they need to collect in order to maintain the electricity and natural gas distribution system they are responsible for. Fully decoupled rate structures will be phased in over several years. Initially, utilities can continue to utilize their existing DPU-approved rate plans and file for lost base revenues associated with specific energy-efficiency efforts, as detailed in their first three-year efficiency plan required under the Green Communities Act. To achieve full decoupling:

- Each electric and natural gas utility companies must submit a rate case to the Department and proceed through a full evidentiary hearing process, in order to establish rates.
- Rates will be set at a level designed to recover the company's prudently incurred costs, plus an adequate return on investment.
- Rates will be subject to review and reconciliation on an annual basis. If a company's revenues are higher than expected, the excess is returned to consumers as a credit; if revenues are lower, due to demand-reduction programs and other factors, the company will be allowed to recover the difference through a rate adjustment.

Utilities are expected to file decoupled rate plans with the Department as existing rate plans expire – for most companies, by 2012 – though companies can file sooner on a voluntary basis.

While a crucial complement to the Green Communities Act, decoupling is a relatively simple adjustment to the way rates are designed, and customers will see little change in their bills. However, a decoupled rate structure clears the way for greater reductions in energy consumption, which should, all other things being equal, cut energy costs over time.

Decoupling has been successfully implemented in over 30 states across the country. In addition, the Department's Order maintains all of DPU's current regulatory oversight and ratepayer protections.

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